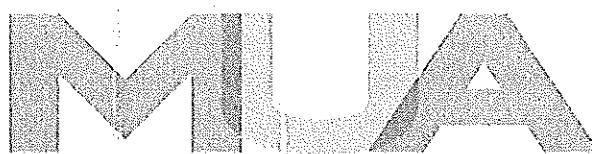


The
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP

BML 100 : FINANCIAL ACCOUNTING 1

DATE: 2ND APRIL 2019

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. DO NOT write on this question paper.
3. This paper contains SIX (6) questions.
4. Question ONE is compulsory.
5. Answer any other THREE questions.
6. Question ONE carries 25 MARKS and the rest carry 15 MARKS each.
7. Write all your answers in the Examination answer booklet provided.

QUESTION ONE

- a) The Following Trial Balance Was Extracted from The Books of Saf Limited at
31 December 2015

	£	£
Share capital authorized and issued:		
80,000 ordinary shares of £1 each		80,000
Freehold premises at cost	59,000	
Motor vans		
Balance 1 January 2015 at cost	15,000	
Additions less sale proceeds	650	
Provisions for depreciation of motor vans to 31 December 2014		6,750
Stock in trade 31 December 2014	13,930	
Balance at bank	6,615	
Provision for doubtful debts 31 December 2014		275
Trade debtors and creditors	12,395	11,380
Directors' remuneration	4,000	
Wages and salaries	13,127	
Motor and delivery expenses	3,258	
Rates	700	
Purchases	108,440	
Sales		142,770
Legal expenses	644	
General expenses	5,846	
Profit and loss account: balance at 31 December 2014	<u>243,605</u>	<u>2,430</u> <u>243,605</u>

You are given the following information.:

- Stock in trade, 31 December 2015, £14,600.
- Rates paid in advance, 31 December 2015, £140.
- Debts of £1,075 to be written off and the provision to be increased to £350.
- On 1 January 2015, a motor van which had cost £680, was sold for £125.
- Depreciation provided for this van up to 31 December 2014 was £475.
- Provide for depreciation of motor vans (including additions) at 20% of cost.
- The balance on legal expenses account included £380 in connection with the purchase of one of the freehold properties.
- The directors have decided to recommend a dividend of 5%.

Required:

With particular emphasis on presentation, prepare a trading and profit and loss

account, and a balance sheet for the year ended 31 December 2015, ignoring taxation. (20 marks)

- b) Differentiate between depreciation (IAS 16) and impairment (IAS 36) with respect to an asset. (5Marks)

QUESTION TWO

- a) Briefly explain the meaning and the significance of the following:
- i) Accounting concepts. (3 marks)
 - ii) Accounting bases. (3 marks)
 - iii) Accounting policies. (3 marks)
 - iv) Accounting standards. (3 marks)
- b) Two accounting concepts or conventions could clash or there could be inconsistency between them. Give two examples of such situations and explain how the inconsistency should be resolved. (3marks)

QUESTION THREE

Mutua and Sally are in partnership sharing profits and losses equally. The following is the trial balance as at 30 June 2003.

	Dr. £	Cr. £
Buildings (cost £750,000)	500,000	
Fixtures at cost	110,000	
Provision for depreciation: Fixtures		33,000
Debtors	162,430	
Creditors		111,500
Cash at bank	6,770	
Stock at 30 June 19X8	419,790	
Sales		1,236,500
Purchases	854,160	
Carriage outwards	12,880	
Discount allowed	1,150	
Loan interest: Working	40,000	
Office expenses	24,160	
Salaries and wages	189,170	
Bad debts	5,030	
Provision for bad debts		4,000
Loan from J Working		400,000
Capitals: Mutua		350,000
Sally		290,000

Current accounts: Mutua	13,060	
Sally	7,980	
Drawings: Mutua	64,000	
Sally	<u>56,500</u>	
	<u>2,446,040</u>	<u>2,446,040</u>

You are provided with the following additional information;

- Stock, 30 June 2003, £563,400
- Expenses to be accrued: Office Expenses £960; Wages £2,000
- Depreciate fixtures 10 per cent on reducing balance basis, buildings £10,000
- Reduce provision for bad debts to £3,200.
- Partnership salary: £8,000 to Mutua. Not yet entered
- Interest on drawings: Mutua £1,800; Spencer £1,200.
- Interest on capital account balances at 10 per cent.

Required:

Prepare a trading and profit and loss appropriation account for the year ended 30 June 2003 and a balance sheet as at that date. (15 marks)

QUESTION FOUR

- Name and explain four types of errors which are not disclosed by the trial balance. (6marks)
- Explain the importance of cash flow statement in a business setup. (9 Marks)

QUESTION FIVE

You have been given the following trial balance extract by the management accountant for Polianto Plc for the period ending 31.12.13.

Sh.		SH.
Share capital		2,300,000
Freehold property(NBV)	300,000	
Plant and Machinery	975,000	
Provision for Depreciation to (Dec 2012)		548,000
Profit and Loss Ac (December 2012)		215,200
Professional fees	168,000	
Gross profit		467,900
Shares in associate company at cost	77,500	
Investment Income(Gross)		3,000
Shares in Private company	36,000	
Income tax provision for 2012		102,600
Closing stock	888,100	
Debtors and creditors	813,400	596,900
Income tax paid during the year	100,400	
Proceeds from sale of freehold property		175,000
Bank balance	1050,200	
	4,408,600	4,408,600

Notes

- During the year, the income tax assessment for the 2012 was agreed at sh. 100,400 and was paid in full by 31st December 2013.
- In June 2013, one of the freehold properties, the cost of which was shown at cost (859,000) less depreciation (sh.450,500). No plant or Machinery was sold or discarded during 2013.
- The professional fees were not included in arriving at Gross profit for 2013

Required

- An extract of profit and loss and other comprehensive income for the year ended 31.12.2013. (5 Marks)
- An extract of statement of financial position as at 31.12.13. (8 Marks)
- Comment on the company's liquidity. (2 marks)

QUESTION SIX

- Highlight the main users of financial statement and giving examples on the particular information they would be interested. (10 Marks)
- The following information relates to ABC Ltd

Profit and Loss A/C for the year ended 31.12.1992

	Sh	Sh
Sales		850,000
Less: Cost of Sales		
Opening stock	99,500	
Purchases	559,500	
	659,000	
Less: Closing stocks	(149,000)	(510,000)
Gross profit		340,000
Less expenses		
Selling and distribution	30,000	
Depreciation	10,000	
Administration expenses	135,000	(175,000)
Earnings before interest & taxes		165,000
Interest		(15,000)
Earnings before tax		150,000
Tax @ 50%		75,000
Less ordinary dividend (0.75 per share)		75,000
Retained profit for the year		(15,000)
		60,000

ABC

Balance Sheet as at 31 December 1992

Non Current	Sh.	Issued share capital	Sh.
Assets	250,000	(20000 share of Sh,	200000
Land and	80,000	10)	90000
Buildings	330,000	Reserve	60000
Plant &		Retained profit	100000
Machinery	149,000	Long term	130000
	75,000	Current liabilities.	
Current Assets	(4,000) 71,000		
Inventory	30,000		
Debtors	580,000		580,000
Less provision			
Cash			

Required

Calculate the two liquidity and profitability ratios.

(5 Marks)